

BIG CREEK - MENTOR UTILITY AUTHORITY
COUNTY OF OSCODA, MICHIGAN
FINANCIAL STATEMENTS
MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Big Creek-Mentor Utility Authority	County Oscoda
Audit Date 3/31/04	Opinion Date 7/1/04	Date Accountant Report Submitted to State: 9/3/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

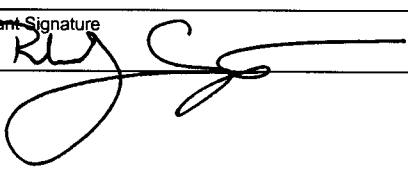
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

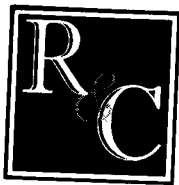
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs LLP			
Street Address P.O. Box 308	City Mio	State MI	ZIP 48647-0308
Accountant Signature 			Date 9/3/04

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INDEPENDENT AUDITOR'S REPORT

Utility Authority Board
Big Creek - Mentor Utility Authority
Mio, MI 48647

We have audited the accompanying general purpose financial statements of Big Creek - Mentor Utility Authority as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Utility Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Big Creek - Mentor Utility Authority as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2004 on our consideration of Big Creek - Mentor Utility Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Big Creek - Mentor Utility Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Comparative total data for the prior year have been presented in the supplementary financial information in order to provide an understanding of the change in the Authority's financial position and operations.

Robertson & Carpenter, LLP

Mio, Michigan
July 1, 2004

BIG CREEK - MENTOR UTILITY AUTHORITY
BALANCE SHEET
ALL PROPRIETARY FUND TYPES
MARCH 31, 2004

ASSETS	ENTERPRISE FUND
Petty cash	
Cash - checking	\$ 50
Cash - certificates of deposit	61,283
Cash - bond reserve	190,749
Accounts receivable - usage fees	39,724
Accounts receivable - hookup fees	17,275
	376,864
Fixed assets:	
Land	
Sewer system	63,905
Equipment	7,230,255
Water system	3,521
Accumulated depreciation	2,485,537
	(1,067,592)
Total assets	\$ 9,401,571
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	
Due to townships	\$ 19,155
Bonds payable	152,079
	2,039,000
Total liabilities	2,210,234
FUND EQUITY	
Contributed capital - Federal	
Contributed capital - State	4,644,002
Contributed capital - Local	2,221,618
	1,206,242
Total contributed capital	8,071,862
Retained earnings	(880,525)
Total fund equity	7,191,337
Total liabilities and fund equity	\$ 9,401,571

See accompanying notes

BIG CREEK - MENTOR UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	ENTERPRISE FUND
OPERATING REVENUES	
Charges for services	
Miscellaneous	\$ 229,126
Total operating revenues	<u>-</u>
	<u>229,126</u>
OPERATING EXPENSES	
Contracted services	
Insurance	189,392
Maintenance and repairs	7,691
Wages and payroll taxes	6,183
Printing and publishing	8,909
Office supplies	267
Utilities	2,715
Depreciation	27,416
Total operating expenses	<u>195,014</u>
	<u>437,587</u>
OPERATING INCOME (LOSS)	(208,461)
NON OPERATING REVENUES (EXPENSES)	
Interest income	
Interest expense - bonds	25,553
Net nonoperating revenues (expenses)	<u>(102,500)</u>
	<u>(76,947)</u>
NET INCOME (LOSS)	(285,408)
AMORTIZATION OF CONTRIBUTED CAPITAL - GRANTS	153,807
FUND EQUITY - Retained earnings - April 1, 2003	<u>(748,924)</u>
FUND EQUITY - Retained earnings - March 31, 2004	<u>\$ (880,525)</u>
 FUND EQUITY - Contributed capital - April 1, 2003	 \$ 8,215,889
Contributions - Capital grants - State	-
Amortization - Capital grants	(153,807)
Contributions - Local	<u>9,780</u>
FUND EQUITY - Contributed capital - March 31, 2004	<u>\$ 8,071,862</u>

See accompanying notes

BIG CREEK - MENTOR UTILITY AUTHORITY
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (208,461)
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	195,014
(Increase) decrease in accounts receivable	47,634
Increase (decrease) in accounts payable	3,191
	<u>37,378</u>
Net cash provided (used) by operating activities	<u>37,378</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(615)
Contributed capital - State grant	-
Contributed capital - Local	9,780
Principal paid on bonds	(22,000)
Interest paid on bonds	(102,500)
	<u>(115,335)</u>
Net cash provided by capital and related financing activities	<u>(115,335)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>25,553</u>
NET increase (decrease) in cash	(52,404)
CASH - April 1, 2003	<u>344,210</u>
CASH - March 31, 2004	<u>\$ 291,806</u>

See accompanying notes

BIG CREEK - MENTOR UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Utility Authority Operations and Fund Types

Big Creek - Mentor Utility Authority is located in Oscoda County. The Utility Authority operates under an appointed Utility Authority Board composed of the supervisor of Big Creek Township, the supervisor of Mentor Township, one person appointed by the Big Creek Township Board, one person appointed by the Mentor Township Board and one person appointed by majority vote of the four members of the Utility Authority Board. The Utility Authority was formed to construct a water and sewer system and to provide water and sanitary sewer services to the residents of Big Creek and Mentor Townships.

REPORTING ENTITY

The Utility Authority's combined financial statements include the accounts of all Utility Authority operations. The criteria for including organizations as component units within the Utility Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Utility Authority holds the corporate powers of the organization
- the Utility Authority appoints a voting majority of the organization's board
- the Utility Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Utility Authority
- there is a fiscal dependency by the organization on the Utility Authority

Based on the aforementioned criteria, the Big Creek - Mentor Utility Authority has no component units.

BASIS OF PRESENTATION - The financial activities of the Utility Authority are recorded in separate funds and account groups, categorized and described as follows:

PROPRIETARY FUNDS

Enterprise Funds

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes and include the water and sewer fund.

BIG CREEK - MENTOR UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

B. Basis of Accounting

The accrual basis of accounting is used by the Proprietary Funds. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual--that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred.

C. Fixed Assets

Fixed assets are stated at cost or, if donated, at estimated fair market value at the time of donation. Expenditures materially extending the life of Proprietary fund fixed assets are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized in Proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed.

Depreciation on fixed assets other than general fixed assets is computed primarily on a straight-line method.

Fixed assets acquired from resources externally restricted for capital acquisition (e.g. capital grants) are recorded as contributed capital in the benefiting Proprietary funds. Depreciation on these assets is recorded as an expense but is closed to contributed capital rather than to retained earnings.

D. Proprietary - Depreciation

All proprietary funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributing capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported in proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives by type or asset are as follows:

Site improvements	50 years
Furniture and equipment	5-10 years

BIG CREEK - MENTOR UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Amortization of Contributed Capital

External contributions of capital relating to the construction of the new sewer system (a proprietary fund) are being amortized over periods equal to the lives of assets acquired with such contributions of capital.

F. Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could vary from those estimates.

NOTE 2 - FIXED ASSETS - PROPRIETARY FUND

A summary of fixed assets in the proprietary fund as March 31, 2004 follows:

	Water Fund	Sewer Fund	Total
Land	\$ 16,772	\$ 47,133	\$ 63,905
Sewer system	-	7,230,255	7,230,255
Equipment	-	3,521	3,521
Water system	2,485,537	-	2,485,537
Total cost	<u>2,502,309</u>	<u>7,280,909</u>	<u>9,783,218</u>
Less: Accumulated depreciation	<u>272,137</u>	<u>795,455</u>	<u>1,067,592</u>
Net carrying amount	<u>\$ 2,230,172</u>	<u>\$ 6,485,454</u>	<u>\$ 8,715,626</u>

BIG CREEK - MENTOR UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits are in one financial institution in the name of the Big Creek - Mentor Utility Authority Treasurer. Michigan Compiled Laws, Section 129.91, as amended, authorizes the Utility Authority to deposit and invest in the accounts of a state or nationally chartered bank, a state or federally chartered savings and loan association, a savings bank, or a credit union whose deposits are insured by an agency of the U.S. government and which maintains a principal office or branch office in this state under the law of this state of the United States; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund.

The Utility Authority's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

<u>DEPOSITS</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (FDIC)	\$ 161,283	\$ 161,398
Uninsured	130,473	130,473
	<u>\$ 291,756</u>	<u>\$ 291,871</u>

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the Utility Authority or its agent in the Utility Authority's name
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Utility Authority's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Utility Authority's name).

The Utility Authority did not have any investments to be classified as to risk at year end.

BIG CREEK - MENTOR UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 4- DUE TO TOWNSHIPS

The amount due to Townships, \$152,079 at March 31, 2004 is composed of \$91,585 due to Big Creek Township and \$60,494 due to Mentor Township. The Townships have advanced this money to the utility authority, interest free, to be paid back once the water and sewer systems become self supporting.

NOTE 5 - RISK MANAGEMENT

Big Creek - Mentor Utility Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last 3 fiscal years.

NOTE 6 - LONG TERM DEBT

The Utility Authority's outstanding debt at March 31, 2004 is composed of two issues of sewage disposal revenue bonds. Both series are payable, both as to principal and interest, solely from the net revenues of the sewer system.

	<u>Balance 4/1/03</u>	<u>Additions (Reductions)</u>	<u>Balance 3/31/04</u>
Bond No. 1 - Issue date 6/17/97			
Original amount - \$2,000,000			
Interest at the rate of 5.000%			
due semi-annually commencing			
11/1/97. Principal due annually			
in amounts ranging from \$18,000			
to \$116,000 commencing 5/1/99.			
Final payment due 5/1/37.	\$ 1,930,000	(20,000)	\$ 1,910,000
Bond No. 2 - issue date 6/17/97			
Original amount - \$135,000			
Interest at the rate of 5.000%			
due semi-annually commencing			
11/1/97. Principal due annually			
in amounts ranging from \$1,000			
to \$13,000 commencing 5/1/99.			
Final payment due 5/1/37.	<u>131,000</u>	<u>(2,000)</u>	<u>129,000</u>
Totals	\$ <u>2,061,000</u>	\$ <u>(22,000)</u>	\$ <u>2,039,000</u>

Future payments due, including interest are as follows:

Year ended March 31,	
2005	\$ 123,400
2006	124,250
2007	124,025
2008	124,725
2009	124,350
Thereafter	<u>3,632,675</u>
	\$ <u>4,253,425</u>

BIG CREEK - MENTOR UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 7 - REQUIRED RESERVES

Big Creek - Mentor Utility Authority, under terms of the Sewage Disposal System Revenue Bonds, is required to establish certain reserve accounts. The Bond Reserve Account was effective May 1, 1999 and is to be funded with an annual deposit of \$12,690, until there is \$126,900 accumulated in the account. The Bond Redemption Reserve is to be funded by a monthly deposit. The monthly deposit is equal to 1/6 of the interest payment next coming due and 1/12 of the principal payment next coming due.

The Authority is using a Certificates of Deposit to fund the Bond Redemption Reserve. An annual deposit is made when the Certificate of Deposit is purchased. The Authority made the required deposit for the year ended March 31, 2004.

The Bond Reserve Account was established on February 7, 2001 with a deposit of \$12,690. The required balance as of March 31, 2004 is \$63,450. The actual balance is the Bond Reserve Account is \$54,389.

SUPPLEMENTAL INFORMATION

BIG CREEK - MENTOR UTILITY AUTHORITY
COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES
MARCH 31, 2004
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	WATER FUND	SEWER FUND	2004 TOTAL	2003 TOTAL
ASSETS				
Petty cash	\$ -	\$ 50	\$ 50	\$ -
Cash - checking	27,621	33,662	61,283	103,965
Cash - certificates of deposit	-	190,749	190,749	187,460
Cash - bond reserve	-	39,724	39,724	52,785
Accounts receivable - usage fees	3,033	14,242	17,275	22,547
Accounts receivable - hookup fees	-	376,864	376,864	419,226
Fixed assets:				
Land	16,772	47,133	63,905	63,905
Sewer system	-	7,230,255	7,230,255	7,230,255
Equipment	-	3,521	3,521	3,521
Water system	2,485,537	-	2,485,537	2,484,922
Accumulated depreciation	(272,137)	(795,455)	(1,067,592)	(872,578)
Total assets	<u>\$ 2,260,826</u>	<u>\$ 7,140,745</u>	<u>\$ 9,401,571</u>	<u>\$ 9,696,008</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 4,770	\$ 14,385	\$ 19,155	\$ 15,964
Due to townships	14,000	138,079	152,079	152,079
Bonds payable	-	2,039,000	2,039,000	2,061,000
Total liabilities	<u>18,770</u>	<u>2,191,464</u>	<u>2,210,234</u>	<u>2,229,043</u>
FUND EQUITY				
Contributed capital - Federal	-	4,644,002	4,644,002	4,748,292
Contributed capital - State	2,221,618	-	2,221,618	2,271,135
Contributed capital - Local	31,449	1,174,793	1,206,242	1,196,462
Total contributed capital	2,253,067	5,818,795	8,071,862	8,215,889
Retained earnings	(11,011)	(869,514)	(880,525)	(748,924)
Total fund equity	<u>2,242,056</u>	<u>4,949,281</u>	<u>7,191,337</u>	<u>7,466,965</u>
Total liabilities and fund equity	<u>\$ 2,260,826</u>	<u>\$ 7,140,745</u>	<u>\$ 9,401,571</u>	<u>\$ 9,696,008</u>

BIG CREEK - MENTOR UTILITY AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED MARCH 31, 2004
 WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	WATER FUND	SEWER FUND	2004 TOTAL	2003 TOTAL
OPERATING REVENUES				
Charges for services	\$ 57,963	\$ 171,163	\$ 229,126	\$ 188,872
Miscellaneous	-	-	-	587
Total operating revenues	<u>57,963</u>	<u>171,163</u>	<u>229,126</u>	<u>189,459</u>
OPERATING EXPENSES				
Contracted services	60,921	128,471	189,392	179,297
Insurance	-	7,691	7,691	6,039
Maintenance and repairs	6,183	-	6,183	1,404
Wages and payroll taxes	-	8,909	8,909	7,580
Printing and publishing	-	267	267	71
Office expenses	-	2,715	2,715	1,728
Utilities	3,016	24,400	27,416	26,096
Depreciation	49,705	145,309	195,014	194,951
Total operating expenses	<u>119,825</u>	<u>317,762</u>	<u>437,587</u>	<u>417,166</u>
OPERATING INCOME (LOSS)	<u>(61,862)</u>	<u>(146,599)</u>	<u>(208,461)</u>	<u>(227,707)</u>
NON OPERATING REVENUES (EXPENSES)				
Interest income	1,610	23,943	25,553	24,303
Interest expense - bonds	-	(102,500)	(102,500)	(103,550)
Net nonoperating revenues (expenses)	<u>1,610</u>	<u>(78,557)</u>	<u>(76,947)</u>	<u>(79,247)</u>
NET INCOME (LOSS)	<u>(60,252)</u>	<u>(225,156)</u>	<u>(285,408)</u>	<u>(306,954)</u>
AMORTIZATION OF CONTRIBUTED CAPITAL - GRANTS	49,517	104,290	153,807	153,756
FUND EQUITY - Retained earnings - April 1	<u>(276)</u>	<u>(748,648)</u>	<u>(748,924)</u>	<u>(595,726)</u>
FUND EQUITY - Retained earnings - March 31	<u>\$ (11,011)</u>	<u>\$ (869,514)</u>	<u>\$ (880,525)</u>	<u>\$ (748,924)</u>
FUND EQUITY - Contributed capital - April 1	\$ 2,299,704	\$ 5,916,185	\$ 8,215,889	\$ 8,142,722
Contributions - Capital grants - State	-	-	-	3,861
Amortization - Capital grants	(49,517)	(104,290)	(153,807)	(153,756)
Contributions - Local	<u>2,880</u>	<u>6,900</u>	<u>9,780</u>	<u>223,063</u>
FUND EQUITY - Contributed capital - March 31	<u>\$ 2,253,067</u>	<u>\$ 5,818,795</u>	<u>\$ 8,071,862</u>	<u>\$ 8,215,890</u>

BIG CREEK - MENTOR UTILITY AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004
WITH COMPARATIVE TOTALS FOR MARCH 31, 2003

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>2004 TOTAL</u>	<u>2003 TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (61,862)	\$ (146,599)	\$ (208,461)	\$ (227,707)
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation	49,705	145,309	195,014	194,951
(Increase) decrease in accounts receivable	2,970	44,664	47,634	9,278
Increase (decrease) in accounts payable	<u>107</u>	<u>3,084</u>	<u>3,191</u>	<u>(43,497)</u>
Net cash provided (used) by operating activities	<u>(9,080)</u>	<u>46,458</u>	<u>37,378</u>	<u>(66,975)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(615)	-	(615)	(6,804)
Contributed capital - State grant	-	-	-	3,861
Contributed capital - Local	2,880	6,900	9,780	223,063
Principal paid on bonds	-	(22,000)	(22,000)	(20,000)
Interest paid on bonds	<u>-</u>	<u>(102,500)</u>	<u>(102,500)</u>	<u>(103,550)</u>
Net cash provided by capital and related financing activities	2,265	(117,600)	(115,335)	96,570
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	<u>1,610</u>	<u>23,943</u>	<u>25,553</u>	<u>24,303</u>
NET increase (decrease) in cash	(5,205)	(47,199)	(52,404)	53,898
CASH - April 1	<u>32,826</u>	<u>311,384</u>	<u>344,210</u>	<u>290,312</u>
CASH - March 31	<u>\$ 27,621</u>	<u>\$ 264,185</u>	<u>\$ 291,806</u>	<u>\$ 344,210</u>

BIG CREEK - MENTOR UTILITY AUTHORITY
COMPARATIVE BALANCE SHEET
WATER FUND
MARCH 31, 2004 AND 2003

	<u>MARCH 31, 2004</u>	<u>MARCH 31, 2003</u>
ASSETS		
Cash - checking	\$ 27,621	\$ 32,826
Accounts receivable - usage fees	3,033	6,003
Fixed assets:		
Land	16,772	16,772
Water system	2,485,537	2,484,922
Accumulated depreciation	<u>(272,137)</u>	<u>(222,432)</u>
Total assets	\$ <u><u>2,260,826</u></u>	\$ <u><u>2,318,091</u></u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 4,770	\$ 4,663
Due to townships	<u>14,000</u>	<u>14,000</u>
Total liabilities	<u>18,770</u>	<u>18,663</u>
FUND EQUITY		
Contributed capital - State	2,221,618	2,271,135
Contributed capital - Local	<u>31,449</u>	<u>28,569</u>
Total contributed capital	<u>2,253,067</u>	<u>2,299,704</u>
Retained earnings	<u>(11,011)</u>	<u>(276)</u>
Total fund equity	<u>2,242,056</u>	<u>2,299,428</u>
Total liabilities and fund equity	\$ <u><u>2,260,826</u></u>	\$ <u><u>2,318,091</u></u>

BIG CREEK - MENTOR UTILITY AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
WATER FUND
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	MARCH 31, 2004	MARCH 31, 2003
OPERATING REVENUES		
Charges for services	\$ 57,963	\$ 48,748
Miscellaneous	-	587
Total operating revenues	<u>57,963</u>	<u>49,335</u>
OPERATING EXPENSES		
Contracted services	60,921	57,994
Maintenance and repairs	6,183	540
Office expenses	-	-
Utilities	3,016	2,744
Depreciation	<u>49,705</u>	<u>49,642</u>
Total operating expenses	<u>119,825</u>	<u>110,920</u>
OPERATING INCOME (LOSS)	(61,862)	(61,585)
NON OPERATING REVENUE		
Interest income	<u>1,610</u>	<u>1,264</u>
NET INCOME (LOSS)	(60,252)	(60,321)
AMORTIZATION OF CONTRIBUTED CAPITAL - GRANTS	49,517	49,466
FUND EQUITY - Retained earnings - April 1	<u>(276)</u>	<u>10,579</u>
FUND EQUITY - Retained earnings - March 31	<u>\$ (11,011)</u>	<u>\$ (276)</u>
FUND EQUITY - Contributed capital - April 1	\$ 2,299,704	\$ 2,325,844
Contributions - Capital grants - State	-	3,860
Amortization - Capital grants - State	(49,517)	(49,466)
Contributions - Local	<u>2,880</u>	<u>19,466</u>
FUND EQUITY - Contributed capital - March 31	<u>\$ 2,253,067</u>	<u>\$ 2,299,704</u>

BIG CREEK - MENTOR UTILITY AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
WATER FUND
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	MARCH 31, 2004	MARCH 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (61,862)	\$ (61,585)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	49,705	49,642
(Increase) decrease in accounts receivable	2,970	40,660
Increase (decrease) in accounts payable	107	(44,061)
Net cash provided (used by) operating activities	(9,080)	(15,344)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(615)	(6,804)
Contributed capital - State grant	-	3,861
Contributed capital - Local	2,880	19,466
Net cash provided (used) by capital and related financing activities	2,265	16,523
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	1,610	1,264
Net increase (decrease) in cash	(5,205)	2,443
CASH - April 1	32,826	30,383
CASH - March 31	\$ 27,621	\$ 32,826

BIG CREEK - MENTOR UTILITY AUTHORITY
COMPARATIVE BALANCE SHEET
SEWER FUND
MARCH 31, 2004 AND 2003

	MARCH 31, 2004	MARCH 31, 2003
ASSETS		
Petty cash	\$ 50	\$ -
Cash - checking	33,662	71,139
Cash - certificates of deposit	190,749	187,460
Cash - bond reserve	39,724	52,785
Accounts receivable - usage fees	14,242	16,544
Accounts receivable - hookup fees	376,864	419,226
Fixed assets:		
Land	47,133	47,133
Sewer system	7,230,255	7,230,255
Equipment	3,521	3,521
Accumulated depreciation	<u>(795,455)</u>	<u>(650,146)</u>
Total assets	\$ <u>7,140,745</u>	\$ <u>7,377,917</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 14,385	\$ 11,301
Due to townships	138,079	138,079
Bonds payable	<u>2,039,000</u>	<u>2,061,000</u>
Total liabilities	<u>2,191,464</u>	<u>2,210,380</u>
FUND EQUITY		
Contributed capital - Federal	4,644,002	4,748,292
Contributed capital - Local	<u>1,174,793</u>	<u>1,167,893</u>
Total contributed capital	5,818,795	5,916,185
Retained earnings	<u>(869,514)</u>	<u>(606,305)</u>
Total fund equity	<u>4,949,281</u>	<u>5,309,880</u>
Total liabilities and fund equity	\$ <u>7,140,745</u>	\$ <u>7,520,260</u>

BIG CREEK - MENTOR UTILITY AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
SEWER FUND
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	MARCH 31, 2004	MARCH 31, 2003
OPERATING REVENUES		
Charges for services	\$ 171,163	\$ 140,124
Miscellaneous	<u>-</u>	<u>-</u>
Total Operating revenues	<u>171,163</u>	<u>140,124</u>
OPERATING EXPENSES		
Contracted services	128,471	121,303
Insurance	7,691	6,039
Maintenance and repairs	-	864
Wages and payroll taxes	8,909	7,580
Printing and publishing	267	71
Office expenses	2,715	1,728
Utilities	24,400	23,352
Depreciation	<u>145,309</u>	<u>145,309</u>
Total operating expenses	<u>317,762</u>	<u>306,246</u>
OPERATING INCOME (LOSS)	(146,599)	(166,122)
NON OPERATING REVENUES (EXPENSES)		
Interest income	23,943	23,039
Interest expense - bonds	<u>(102,500)</u>	<u>(103,550)</u>
Net nonoperating revenues (expenses)	<u>(78,557)</u>	<u>(80,511)</u>
NET INCOME (LOSS)	(225,156)	(246,633)
AMORTIZATION OF CONTRIBUTED CAPITAL - GRANTS	104,290	104,290
FUND EQUITY - Retained earnings - April 1	<u>(748,648)</u>	<u>(606,305)</u>
FUND EQUITY - Retained earnings - March 31	\$ <u><u>(869,514)</u></u>	\$ <u><u>(748,648)</u></u>
FUND EQUITY - Contributed capital - April 1	\$ 5,916,185	\$ 5,816,878
Amortization - Capital grants - Federal	(104,290)	(104,290)
Contributions - Local	<u>6,900</u>	<u>203,597</u>
FUND EQUITY - Contributed capital - March 31	\$ <u><u>5,818,795</u></u>	\$ <u><u>5,916,185</u></u>

BIG CREEK - MENTOR UTILITY AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
SEWER FUND
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003

	MARCH 31, 2004	MARCH 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (146,599)	\$ (166,122)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	145,309	145,309
(Increase) decrease in accounts receivable	44,664	(31,382)
Increase (decrease) in accounts payable	3,084	564
Net cash provided (used) by operating activities	46,458	(51,631)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
Contributed capital - Local	6,900	203,597
Principal paid on bonds	(22,000)	(20,000)
Interest paid on bonds	(102,500)	(103,550)
Net cash provided (used) by capital and related financing activities	(117,600)	80,047
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	23,943	23,039
NET increase (decrease) in cash	(47,199)	51,455
CASH - April 1	311,384	259,929
CASH - March 31	\$ 264,185	\$ 311,384

APPENDICES



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Utility Authority Board
Big Creek - Mentor Utility Authority
Mio, Michigan 48647

We have audited the general purpose financial statements of Big Creek - Mentor Utility Authority as of and for the year ended March 31, 2004, and have issued our report thereon dated July 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Big Creek - Mentor Utility Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Creek - Mentor Utility Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be

material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Utility Authority Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter, LLP

Mio, Michigan
July 1, 2004